

Coordination of the nomination of the EFRAG Board seats for the NSS of countries that are not permanently represented on the EFRAG Board

Text agreed by CNC-Lux, DASB, DASC, ICAC and SFRB Q3 2018

Coordination process

Actual Board composition

The EFRAG Board has eight seats for NSS¹ of which four are allocated to France, Germany, Italy and the UK. The EFRAG Internal Rules foresee in Art 9.2 a form of coordination between the other NSS from countries that contribute to the funding of EFRAG in the situation where more candidates are proposed than seats available².

Process

The coordination process is carried out by a group of NSS of countries that contribute to the funding of EFRAG but have no permanent seat on the EFRAG Board (“the group”). The process is based on a willingness amongst the NSS concerned to cooperate and coordinate.

The group would come together (in person or by webcast or with help of another technology) at the start of the EFRAG Board rotation process (around the time that a call for candidates is launched) to decide on the joint candidates for the four EFRAG Board seats for the NSS concerned.

Potential new EFRAG member organisations joining

EFRAG hopes to achieve a better geographical coverage in its membership of national organisations and encourages National Organisations to join EFRAG. If new National Organisations were to join the membership of EFRAG they join the group of NSS of countries that are not permanently represented on the EFRAG Board and participate in the coordination process (the next EFRAG Board rotation will take place in 2020).

The considerations taken into account in the coordination process and the description of the coordination process are transparent to potential new EFRAG member organisations by publication on the EFRAG website.

Role of EFRAG GA NC

In case the group could not agree on candidates for the four EFRAG Board seats for the NSS of countries that are not permanently represented on the EFRAG Board, each of the NSS would nominate its own candidate and the EFRAG GA NC would make a recommendation to the EFRAG General Assembly taking into account the same considerations. In all

¹ Implications of Brexit have not been considered

²Art 9.2: In the situation where European Stakeholder Organisations or National Standard Setters are proposing more candidates for a position in the EFRAG Board than the number of available seats for that sector, the candidates are proposed after consultation by the related organisations with the other organisations in the sector, or the other relevant National Standard Setters.

circumstances the EFRAG GA NC will assess the quality of the candidates and whether the candidates meet the EFRAG Board member profile³ and will to the extent possible strive for a proper geographical and gender balance in the recommendations for the EFRAG Board seats to the EFRAG General Assembly in the overall EFRAG Board rotation process.

Considerations

The group's coordination takes into account a number of considerations agreed by the National Organisations and NSS concerned. The process would be facilitated by the EFRAG Secretariat or by one of the NSS (operational and administrative support).

The following considerations are taken into account in the coordination process:

- **Funding:**
 - Current funding (including contributions in kind) to recognise the difference in financial and in kind contributions made by organisations (including countries paying less than the minimum contribution);
 - Past funding (including contributions in kind) to recognise that some National Organisations have made contributions to EFRAG (including in kind) for over 10 years;
 - Future funding (including in kind contributions) to recognise future commitment to EFRAG in particular of new EFRAG member organisations

- **Membership of the EFRAG Board**
 - Current membership of the EFRAG Board: evaluation of the performance and attendance statistics;
 - Number of years served on the EFRAG Board to ensure that all member organisations should have an opportunity for a seat on the EFRAG Board after a certain period of time.
 - New membership of EFRAG: to give the NSS of new member organisations the opportunity to join the EFRAG Board

- **Size of the economy** as evidenced by share in EU or Europe GDP and/or capital market (number of listed companies/market capitalisation)

Input/information facility for NSS not represented on the EFRAG Board

NSS of countries that contribute to the EFRAG funding but have no seat on the EFRAG Board have the possibility to provide input to and be informed about the EFRAG Board discussions and decisions.

Future process

If more countries were to join in future, regular meetings will be set up to discuss the most important items on the EFRAG Board agenda and seek where relevant input on those items. These meetings would be linked to the EFRAG CFSS meetings with possible webcasting meetings in between. It would be envisaged to have once a year a meeting jointly with the EFRAG Board or to invite EFRAG Board members to participate in those support meetings.

³ This should in particular come into play if a representative other than the Chairman of the National Standard Setter is nominated. In that case the EFRAG GA NC would interview the candidate and ensure that the candidate meets the EFRAG Board profile

Alternatively, or in addition, a conference call could be organised before each EFRAG Board meeting⁴ in which the EFRAG Board members of NSS of countries that are not permanently represented in the EFRAG Board receive input and discuss with NSS not represented so that they can represent all NSS of countries that are not permanently represented in the EFRAG Board.

The process that is most convenient for the NSS concerned will be agreed when further National Organisations have joined EFRAG.

The administrative and operational support will be provided by the EFRAG Secretariat.

Interim solution

As an interim solution, until more countries have joined the EFRAG membership, the EFRAG Board President will have a conversation with the Chairmen of the NSS concerned before each EFRAG Board meeting⁵

⁴ In a similar way as currently done for the User Organisations Coordination to give input to the EFRAG Board member on the user seat

⁵ At present, only CNC Luxembourg